



REAL ESTATE COMMISSION
STATE OF HAWAII
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
PROFESSIONAL AND VOCATIONAL LICENSING DIVISION
1010 Richards Street - P. O. Box 3469
Honolulu, Hawaii 96801

CONDOMINIUM PUBLIC REPORT

THE MAKAI CLUB COTTAGES AT PRINCEVILLE
Lei O Papa Road
Princeville, Kauai, Hawaii
(Registration limited to apartment numbers
202 through 204, 301 through 305, 401 through
404, and 501 through 505)
Registration No. 1829 (conversion)

Issued: January 9, 1991
Expires: February 9, 1992

Report Purpose:

This report is based on information and documents submitted by the developer to the Real Estate Commission as of
December 20, 1990, and is issued by the Commission for informational purposes only. It
represents neither approval nor disapproval of the project. Buyers are encouraged to read this report carefully.

Type of Report:

- ☐ **PRELIMINARY:**
(yellow) The developer may not as yet have created the condominium but has filed with the
Real Estate Commission minimal information sufficient for a Preliminary Public Report.
A Final Public Report will be issued when complete information is filed.
- ☐ **FINAL:**
(white) The developer has legally created a condominium and has filed complete information
with the Commission.
☐ No prior reports have been issued
☐ Supersedes all prior public reports
☐ Must be read together with _____
- ☒ **SUPPLEMENTARY:**
(pink) Updates information contained in the
☐ Prelim. Public Report dated _____
☒ Final Public Report dated March 6, 1987
☐ Supp. Public Report dated _____
- And ☒ Supersedes all prior public reports
☐ Must be read together with _____
- ☒ This report reactivates the Final
public report(s) which expired on March 22, 1990

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

☐ Required ☒ Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

☐ No prior reports have been issued by the Commission.

☒ Changes made are as follows:

Changes have been made to Exhibits C and D. Changes were also made to the following sections of the prior report: "I. PEOPLE CONNECTED WITH THE PROJECT" on page 6, "E. ENCUMBRANCES AGAINST TITLE" on page 15, and "L. SALES DOCUMENTS FILED WITH THE REAL ESTATE COMMISSION" on page 17. All other information about the Project remains unchanged. For the readers convenience, the Public Report is restated here in its entirety, as amended. In addition, the Estimates of Maintenance Fees and Maintenance Fee Disbursements has been updated.

This Supplementary Report is part of the reactivation of the condominium registration for the Project. The reactivation is limited to unsold interests in Apartments 202 through 204, 301 through 305, 401 through 404, and 501 through 505.

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GENERAL INFORMATION ON CONDOMINIUMS

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of Hawaii's "Condominium Property Act" (Chapter 514A, Hawaii Revised Statutes) must be followed.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

Common elements are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called limited common elements and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged, or encumbered, and they may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owner/tenant) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements. The leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without a vote of the owners. Some of these actions may significantly impact the quality of life for all apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is vitally important to all apartment owners that the transition from developer to owner control be accomplished in an orderly manner and in a spirit of cooperation.

DECLARATION OF THE CONDOMINIUM PROJECT

Interest to be Conveyed to Buyer:

- ☒ Fee simple interest in an apartment and an undivided feehold interest in the common elements.
☐ Leasehold interest in an apartment and an undivided leasehold interest in the common elements.
☐ Fee simple interest in an apartment and an undivided leasehold interest in the common elements.

Types of Project:

1. ☐ New Building(s) ☒ Conversion
☐ Both New Building(s) and Conversion
2. ☒ Residential ☐ Commercial
☐ Mixed Residential and Commercial
☐ Other _____
3. ☐ High Rise (5 stories or more) ☒ Low Rise
4. ☐ Single or ☐ Multiple Buildings
5. Apartment Description See Exhibit A

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 17

*Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

6. Parking:

	Number of Stalls
Assigned Stalls (Individual Units)	<u>0</u>
Guest Stalls	<u>0</u>
Unassigned Stalls	<u>33</u>
Extra Stalls Available for Purchase	<u>0</u>
Other: _____	<u>0</u>
Total Parking Stalls	<u>33</u>

7. **Recreational amenities:** There are no amenities that are part of the Condominium.

I. PEOPLE CONNECTED WITH THE PROJECT

Developer: Hannon Brothers, Ltd.
Name
2310 Kuhio Avenue, Suite 220
Business Address
Honolulu, Hawaii 96815

Phone: (808) 922-6666
(Business)

Names of officers or general partners of developers who are corporations or partnerships:

Michael J. Hannon, President & Treasurer;
Theodore B. Hannon, Vice President & Secretary; and
Bruce Hannon, Vice President & Assistant Secretary

Real Estate
Sales Agent: Hannon Realty, Ltd.
Name
2310 Kuhio Avenue, Suite 216
Business Address
Honolulu, Hawaii 96815

Phone: (808) 922-6666
(Business)

Escrow: Title Guaranty Escrow Services, Inc.
Name
235 Queen Street
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-0211
(Business)

Managing
Agent: Makai Management, Ltd.*
Name
Lei O Papa Road
Business Address
Princeville, Kauai, Hawaii

Phone: (808) 826-8888
(Business)

*formerly known as Princeville Management Corporation

Attorney for
Developer: Michiro Iwanaga, Esq.
Name
737 Bishop Street, Suite 3100
Business Address
Honolulu, Hawaii 96813

Phone: (808) 523-9833
(Business)

**CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners.

- A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

☐ Proposed
☒ Recorded - Bureau of Conveyances - Book 20323 Page 574
☐ Filed - Land Court - Document Number _____

Amendment date(s) and recording/filing information:

- B. **Condominium Map (File Plan)** shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

☐ Proposed
☒ Recorded - Bureau of Conveyance Condo Map No. 1046
☐ Filed - Land Court Condo Map No. _____

Amendment date(s) and recording/filing information:

- C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the way in which meetings will be conducted, and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

☐ Proposed
☒ Recorded - Bureau of Conveyances - Book 20323 Page 598
☐ Filed - Land Court - Document Number _____

Amendment date(s) and recording/filing information:

The Condominium Statute (Chapter 314A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- D. **House Rules.** The Board of Directors may adopt house rules to govern the use and operation of the common elements and individual apartments. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais, keeping of pets, and occupancy limits. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial house rules are usually adopted by the developer.

The House Rules for this condominium are:

- ☐ Proposed ☒ Adopted
- ☐ Developer does not plan to adopt house rules.

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners:** Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u> </u>

The percentages for individual condominium projects may be more than the minimum set by law.

2. **Developer:** The developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws, or House Rules:
See Exhibit E.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- ☒ **Fee Simple:** Individual apartments and the common elements which includes the underlying land will be in fee simple.
- ☐ **Leasehold or Subleasehold:** Individual apartments and the common elements which includes the underlying land will be leasehold.

The leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit _____ contains further explanations.

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: ☐ Monthly ☐ Quarterly
 ☐ Semi-Annually ☐ Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per
☐ Month ☐ Year.

- ☐ **Individual Apartments in Fee Simple Common Interest in the Underlying Land in Leasehold or Subleasehold:**

The leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners - tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations.

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: ☐ Monthly ☐ Quarterly
 ☐ Semi-Annually ☐ Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per
☐ Month ☐ Year.

- ☐ Other:

For Subleaseholds:

- ☐ Buyer's sublease may be cancelled if the master lease between the sublessor and fee owner is
☐ Cancelled ☐ Foreclosed
- ☐ As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is cancelled or foreclosed.

B. Underlying Land:

Address: Lei O Papa Road Tax Map Key: 05-04-06:9
Princeville, Kauai, Hawaii (TMK)

☐ Address ☐ TMK is expected to change because _____

Land Area: 3.557 ☐ square feet ☐ acre(s) Zoning: R-15

Fee Owner: Hannon Brothers, Ltd.
Name
2310 Kuhio Avenue, Suite 220
Address
Honolulu, Hawaii 96815

Sublessor: _____
Name

Address

C Buildings and Other Improvements:

1. ☐ New Building(s) ☒ Conversion of Existing Building(s)
☐ Both New Building(s) and Conversion

2. Buildings: 17 Floors Per Building single story
☐ Exhibit _____ contains further explanations.

3. Principal Construction Material:

- ☐ Concrete ☐ Hollow Tile ☒ Wood
☐ Other _____

4. Permitted Uses:

- | | <u>No. of Apts.</u> | | <u>No. of Apts.</u> |
|---|---------------------|---------------------------------------|---------------------|
| <input type="checkbox"/> Commercial | _____ | <input type="checkbox"/> Industrial | _____ |
| <input checked="" type="checkbox"/> Residential | _____ | <input type="checkbox"/> Agricultural | _____ |
| <input checked="" type="checkbox"/> Timeshare/Hotel | _____ | <input type="checkbox"/> Recreational | _____ |
| <input checked="" type="checkbox"/> Other: <u>Developer reserves the right to conduct extensive sales activities on the Condominium, and has other special rights. See Exhibit E.</u> | | | |

5. Special Use Restrictions.

The Declaration, Bylaws, and House Rules may contain restrictions on the use and occupancy of apartments. Restrictions for this condominium project include but are not limited to:

- [x] Pets No pets are allowed.
- [] Number of Occupants: _____
- [x] Other: See Condominium Declaration and By-Laws generally, specifically Article V of the By-Laws.
- [] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Total Apartments 17

Elevators None Stairways None Trash Chutes None

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
_____	_____	_____	_____	_____
_____	_____	SEE EXHIBIT A	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

**Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.*

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment: Each apartment is a separate free standing building and includes all of the improvements that are part of each such building, including without limitation all foundations, supports, floors, roofs, chimneys, porches, lanais, decks and all other exteriors and interiors, including all exterior and interior walls, steps, doors and windows.

Permitted Alterations to Apartments; See Exhibit G.

7. Parking Stalls:

Total Parking Stalls: 33

	Regular		Compact		Tandem		
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>TOTAL</u>
Assigned (for individual units)	_____	_____	_____	_____	_____	_____	_____
Guest	_____	_____	_____	_____	_____	_____	_____
Unassigned	_____	<u>33</u>	_____	_____	_____	_____	<u>33</u>
Extra Available for Purchase	_____	_____	_____	_____	_____	_____	_____
Other:	_____	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____	_____
Covered & Open	<u>33</u>	_____	_____	_____	_____	_____	_____

Each apartment will have the exclusive use of at least N/A parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

- ☐ Commercial parking garage permitted in condominium project.
- ☐ Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities.

- ☒ There are no recreational or common facilities.
- ☐ Swimming pool ☐ Storage Area
- ☐ Recreation Area ☐ Laundry Area
- ☐ Tennis Court ☐ Trash Chute
- ☐ Other: _____
- _____

9. Present Condition of Improvements

(For conversions of residential apartments in existence for at least five years):

a. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

The Architect has certified that structural components and mechanical and electrical installations should be satisfactory.

b. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations

The Building Division of the Department of Public Works for the County of Kauai has issued a Certificate of Inspection dated December 10, 1986 stating that as of that date The Makai Club Cottages were found to be in accordance with the Building Code of the County of Kauai.

10. Conformance to Present Zoning Code

a. ☒ No variances to zoning code have been granted.

☐ Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u> x </u>	<u> </u>	<u> </u>
Structures	<u> x </u>	<u> </u>	<u> </u>
Lot	<u> x </u>	<u> </u>	<u> </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

1. **Common Elements:** Common Elements are those parts of the condominium project intended to be used by all apartment owners. They are owned jointly by all apartment owners.

☐ Exhibit B describes the common elements.

☐ As follows:

2. **Limited Common Elements:** Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

☒ There are no limited common elements in this project.

☐ The limited common elements and the apartments which may use them are:

☐ described in Exhibit _____

☐ as follows:

3. **Common Interest:** Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is often used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium. It may also be used for other purposes, including voting on matters requiring action by apartment owners.

☐ Exhibit _____ describes the common interests for each apartment.

☒ As follows: Each apartment will have that undivided percentage interest as equals one-seventeenth (1/17th), which is subject to change as stated in Exhibit E.

E. **Encumbrances Against Title:** An encumbrance is a claim against or a liability on the property.

Exhibit C describes the encumbrances against the title contained in the title report dated February 27, 1990 and issued by Ticor Title Insurance Company of California and lien letter issued by Title Guaranty of Hawaii, Inc., dated November 1, 1990.

Blanket Liens:

A blanket lien is a mortgage on a condominium project that secures a construction loan. It is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[] There are no blanket liens affecting title to the individual apartments.

[x] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. Buyer's interest will be affected only if the developer defaults prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest If Developer Defaults</u>
Mortgage	Buyer's interest under a Sales Contract is subordinate to the interests of the holder of the Mortgage. Among other things, this means that if the Developer defaults, the holder may take over the property so that the buyer would lose his or her rights and claims to the apartment. If this happens, the buyer would get his or her money back from Escrow. Before the apartment is conveyed to the Buyer, it must be free from the Mortgage.

F. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a managing agent to assist the Association in managing the condominium project.

Initial Managing Agent: When the developer or the developer's affiliate is the initial managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial managing agent for this condominium is:

[] not affiliated with the Developer.

[x] the Developer or the Developer's affiliate.

[] self-managed by the Association of Apartment Owners.

[] other _____

G. Estimate of Initial Maintenance Fees:

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided to each apartment.

Exhibit D contains a schedule of maintenance fees and maintenance fee disbursements.

H. Utility Charges for Apartments:

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

☒ Electricity

☒ Television Cable

☐ Gas

☒ Water & Sewer

☒ Other Telephone, Refuse Disposal

☐ Not applicable

I. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. **Building and Other Improvements:** The Developer is selling interests in the Condominium "As Is". THE DEVELOPER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO ANY APARTMENT, OR ANY FURNITURE, FURNISHINGS OR APPLIANCES, OR THE CONDOMINIUM, INCLUDING BUT NOT LIMITED TO NO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, HABITABILITY, OR WORKMANLIKE CONSTRUCTION, OR SUFFICIENCY OF DESIGN, NOR ANY OTHER WARRANTY. ADDITIONALLY, IN NO CIRCUMSTANCES SHALL THE DEVELOPER HAVE ANY LIABILITY FOR INJURY, DEATH, PROPERTY DAMAGE OR ANY OTHER CONSEQUENTIAL DAMAGES WHATSOEVER THAT IN ANY WAY MAY BE CAUSED BY ANY DEFECT IN THE CONDOMINIUM, OR ANY APARTMENT OR FURNITURE, FURNISHINGS OR APPLIANCES.

2. **Appliances:**

Same as 1 above.

J. **Status of Construction and Estimated Completion Date:** The Project was completed in approximately December 1975.

K. **Project Phases:**

The developer ☒ has ☐ has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's Present Plans for Future Development:

See Exhibit E.

L. **Sales Documents Filed With the Real Estate Commission:**

Sales documents on file with the Real Estate Commission include but are not limited to:

☐ Notice to Owner Occupants

☒ Specimen Sales Contract

Exhibit F contains a summary of the pertinent provisions of the sales contract.

☒ Escrow Agreement dated _____

Exhibit F contains a summary of the pertinent provisions of the escrow contract.

☒ Other Specimen Apartment Deed

IV. ADDITIONAL INFORMATION NOT COVERED ABOVE

None.

Buyer's Right to Cancel Sales Contract:

A. Rights Under the Condominium Statute:

Preliminary Report: Sales made by the Developer are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report, Supplementary Report to a Final Report: Sales made by the Developer are binding if:

1. The Developer delivers to the buyer a copy of:
 - a. Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report;
AND
 - b. Any other public report issued by the Commission prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
2. The buyer is given an opportunity to read the report(s); and
3. One of the following has occurred:
 - a. The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - b. Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - c. The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

1. There is a material change in the condominium which directly, substantially, and adversely affects (a) the use or value of the buyer's apartment or its limited common elements; or (b) the amenities available for buyer's use; and
2. The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

B. Rights Under the Sales Contract:

Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the condominium. These include but are not limited to the:

1. Condominium Public Reports issued by the Hawaii Real Estate Commission.
2. Declaration of Condominium Property Regime and Condominium Map.
3. Bylaws of the Association of Apartment Owners.
4. House Rules.
5. Escrow Agreement.
6. Hawaii's Condominium Law (Chapter 514A, HRS, as amended; Hawaii Administrative Rules, Chapter 16-107, adopted by the Real Estate Commission).
7. Other _____

If these documents are not in final form, the buyer should ask to see the most recent draft.

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Law (Chapter 514A, HRS, and Hawaii Administrative Rules, Chapter 16-107) are available at the Department of Commerce and Consumer Affairs.

This Public Report is a part of Registration No. 1829 filed with the Real Estate Commission on February 20, 1987.

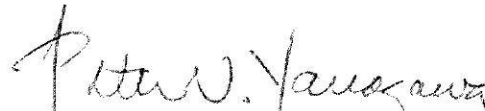
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Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the date of issuance unless a Supplementary Public Report is issued or unless the Commission issues an order extending the effective period for the report.



PETER N. YANAGAWA, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

Bureau of Conveyances

Department of Finance, County of Kauai

Planning Department, County of Kauai

Federal Housing Administration

Escrow Agent

EXHIBIT A

APARTMENT DESCRIPTION

The Condominium contain seventeen (17) two (2) bedroom, two (2) bath apartment units, each of which is a separate free standing wood framed building, without basement. The apartments are numbered: 202, 203 and 204; 301, 302, 303, 304 and 305; 401, 402, 403 and 404; and 501, 502, 503, 504 and 505; and are located on the site as indicated on the Condominium Map. Each building is built principally of wood and allied building materials. There are 33 uncovered parking stalls. Parking stalls will be unassigned.

Each of the apartments contains a living room with fireplace, a kitchen, a dining room, two bedrooms each with an adjoining dressing room and bathroom, and entry and entry porch or porches. Most units also have a deck or two decks in addition to the entry porch. The exact configuration, floor plan, and number and location of the porches or porches and deck or decks for each unit is as shown on the Condominium Map. Each apartment has direct access to the grounds.

Each apartment includes: carpeting, except in the kitchen and bathrooms which are vinyl, drapes, refrigerator, range with hood and oven, garbage disposal, dishwasher, hot water heater, washer and dryer.

The net living area of each apartment, computed in accordance with Rule 16-107-6 of the Rules Relating to Horizontal Property Regimes promulgated by the Real Estate Commission, plus the area of the deck or decks (excluding the entry porch or porches) are as follows:

<u>Apt. No.</u>	<u>Net Living Area</u>	<u>Deck or Decks and Their Areas</u>
202	1479	(1) 197
203	1540	(1) 136
204	1479	(1) 77
301	1471	(1) 315
302	1479	(1) 96
303	1471	(1) NONE
304	1479	(2) 246
305	1471	(1) 303
401	1540	(2) 200
402	1442	(1) 67
403	1540	(2) 268
404	1471	(1) 303
501	1480	(1) 92
502	1480	(1) 152
503	1471	(1) 303
504	1523	(1) 143
505	1442	(1) 312

EXHIBIT B
COMMON ELEMENTS

The common elements will include all portions of the land and improvements, other than the apartments, and specifically include:

1. The Land in fee simple.
2. All yards, grounds, landscaping, roadways and parking areas.
3. All installations for power, light, water, sewer, gas and telephone, and other utilities actually installed (including all pipes, plumbing, wires, conduits or other utility or service lines) which are utilized by or serve more than one apartment, including those which run through any apartment.

ENCUMBRANCES AGAINST TITLE

1. Existing Easement "D-1" (10 feet wide) for surface drainage purposes, as shown on survey map prepared by Wesley M. Thomas, Surveyor, dated May 23, 1980 (revised).

2. Grant in favor of Princeville at Hanalei Community Association, a non-profit corporation, dated November 12, 1987, recorded as aforesaid in Book 21516, Page 321.

3. Easement "E-2" (10 feet wide) for electrical purposes, as shown on survey map prepared by said Wesley M. Thomas, dated May 23, 1980 (revised).

4. Access Easement "R-1" (18 feet wide, area 7,062 square feet), as shown on the tax maps.

5. Easement "S-1" (area 1,509 square feet), for sewer line purposes, as shown on survey map prepared by said Wesley M. Thomas, dated May 23, 1980 (revised).

6. Easement "W-2" (area 248 square feet) for water line purposes, as shown on survey map prepared by said Wesley M. Thomas, dated May 23, 1980 (revised).

7. Easement "P-1" (area 2,054 square feet) for parking purposes, as shown on survey map prepared by said Wesley M. Thomas, dated May 23, 1980 (revised).

8. Restrictions, reservations, covenants, conditions and provisions contained in Declaration dated May 1, 1971, recorded as aforesaid in Book 7444, Page 93, as amended.

9. The restrictions on use and other restrictions and all other of the covenants, agreements, obligations, conditions, reservations, easements and other provisions set forth in Declaration of Horizontal Property Regime dated January 20, 1987, recorded as aforesaid in Book 20323 at Page 574, as the same may hereafter be amended in accordance with law or with said Declaration. (Project covered by Condominium Map No. 1046.)

10. By-Laws of the Association of Apartment Owners of the Condominium Project known as "MAKAI CLUB COTTAGES AT PRINCEVILLE" dated January 20, 1987, recorded as aforesaid in Book 20323 at Page 598, as the same may hereafter be amended.

EXHIBIT "C"

11. Declaration of Covenants, Conditions and Restrictions for The Makai Club Cottages Interval Ownership Program dated January 27, 1987, recorded as aforesaid in Book 20341, Page 704.

12. Real Property Mortgage and Financing Statement dated February 27, 1990, in favor of Princeville Corporation, recorded as aforesaid as Document No. 90-027989.

13. Second Mortgage, Security Agreement and Financing Statement dated February 27, 1990, in favor of Del-Val Capital Corp., a Delaware corporation, recorded as aforesaid as Document No. 90-027991.

Note: Lien letter dated November 1, 1990, issued by Title Guaranty of Hawaii, Inc., reports partial mortgage releases on Apartments 203, 301, and 504 in CM. 1046.

EXHIBIT D

**ESTIMATE OF INITIAL MAINTENANCE FEES *
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS**

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee</u> x 12 months = <u>Yearly Total</u>
Each Unit	\$ 624.98 \$ 7,499.76

* Other fees associated with the Makai Club Cottages Interval Ownership Program are detailed in the Disclosure Statement on the Makai Club Cottages Interval Ownership Program.

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimate of Maintenance Fee Assessments:

Monthly x 12 months = Yearly Total

Utilities and Services

Air Conditioning

Electricity

[X] common elements only

\$ 1,265.00

\$ 15,180.00

[] common elements
and apartments

Gas

Refuse Collection

97.00

1,164.00

Telephone

Water and Sewer

425.00

5,100.00

Maintenance, Repairs and Supplies

Building

1,108.00

13,296.00

Grounds

3,958.00

47,496.00

Management

Management Fee

150.00

1,800.00

Payroll and Payroll Taxes

Office Expenses

470.00

5,640.00

Insurance

Reserves

2,178.00

26,136.00

Taxes and Government Assessments

409.00

4,908.00

Audit Fees

100.00

1,200.00

Other

Pest control

191.00

2,292.00

Community Association Dues

274.00

3,288.00

TOTAL

\$10,625.00

\$127,500.00

I/We, MAKAI MANAGEMENT, LTD., as
managing agents for the condominium project, hereby certify that the above estimates of initial
maintenance fee assessments and maintenance fee disbursements were prepared in accordance
with generally accepted accounting principles.

MAKAI MANAGEMENT, LTD.

By *Theresa J. Hume*

Date: April 23, 1996

EXHIBIT E

DEVELOPER'S RESERVED RIGHTS

In addition to the rights that the Developer has reserved to conduct extensive sales activities on the Condominium, the Developer has reserved these rights:

1. The Developer has the right to add lands and apartments to the Condominium as follows: On each of 3 parcels adjoining the land upon which the Condominium is located, there is one separate cottage built about the same time as the Apartments in the Condominium which is substantially identical to the Apartments. At any one or more times prior to December 31, 1996, the Developer has the right to expand the Condominium to include one or more or all of these adjoining lands and the cottages thereon, and to amend the Condominium Declaration and Condominium Map accordingly, as well as each and every prior instrument of conveyance of each and every apartment in the Condominium to conform the same to the Condominium Declaration as so amended, including without limitation to state the reduced common interest appurtenant to each and every such apartment. The common interest for each apartment would change so that it is the percentage that equals the fraction whose numerator is 1 and whose denominator is equal to the number of apartments then in the Condominium. Thus, by way of illustration, if one apartment were added, the common interest for each apartment would be that percentage which equals one eighteenth (1/18th).

2. The Developer has the right to consolidate and resubdivide as follows: Some of the apartments now in the Condominium may encroach upon, or violate setback requirements by being too close to, the boundary of adjoining land. The Developer reserves the right until December 31, 1996 to consolidate the land with the adjoining land and to resubdivide both properties in such a manner so that any such encroachment or setback violation shall be cured. To effect such consolidation and resubdivision, the Developer shall also have the rights to make such filings with the County of Kauai and the Bureau of Conveyances as may be necessary or appropriate, to amend the Condominium Declaration and the Condominium Map to state the revised description of land upon such consolidation and resubdivision, and to do all such other acts and things as may be necessary or appropriate.

Each and every Owner and every other person or entity acquiring any interest in the Condominium or any apartments therein, by such acquisition consents to the reserved rights of the Developer; and further consents to each such expansion, to such consolidation and resubdivision, and to each such amendment or amendments of the Condominium Declaration and Condominium Map and prior instruments of conveyancing; and agrees to execute such documents and to do such other things as may be necessary or convenient to effect the same; and appoints the Developer, with right of substitution, as his or her attorney in fact to execute such documents and do such things on his or her behalf, which grant of such power being coupled with an interest, is irrevocable until December 31, 1996 and as such shall not be affected by disability or death of any such party.

SUMMARY OF OF SALES CONTRACT AND ESCROW AGREEMENT

A. Sales Contract

The Deposit Receipt & Sales Contract for the Makai Club Cottages at Princeville (the "Sales Contract") provides for the sale of fee simple interest in the apartments of the project. The Contract calls for three payments: (1) Payment A as the initial downpayment upon execution of the contract; (2) Payment B upon loan approval or within 45 calendar days after acceptance of the Agreement by Seller; and (3) the balance of the purchase price. Under the Contract, the Purchaser undertakes an obligation to pursue mortgage financing.

Payments A, B, and C will not be disbursed by the escrow agent until the time of closing. In other words, the Buyer's downpayment will not be used to finance construction of the project.

The risk of loss of the apartment and other improvements shall be borne by the Seller until the date of closing.

SELLER MAKES NO WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THE APARTMENT, COMMON ELEMENTS, APPLIANCES, FURNISHINGS OR OTHER PRODUCTS, OR ANYTHING INSTALLED IN OR UPON THE PREMISES OR USED IN CONNECTION WITH THE PROJECT IN ANY MANNER, INCLUDING BUT NOT LIMITED TO WARRANTIES OF

MERCHANTIBILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS FOR A PARTICULAR PURPOSE OF USE.

The Buyer's rights under the Sales Contract are subordinate to the interest of Princeville Corporation, which provided the acquisition financing for the project. In the event of Seller's default under the acquisition loan, Buyer may lose whatever interest he or she had in the project. In such an event, however, Buyer will receive the return of any payments made into escrow.

The Sales Contract contains a number of other important provisions. As a result, prospective purchasers are directed to the Sales Contract, since this document will dictate the terms of the transaction.

B. Escrow Agreement

The Escrow Agreement is between the developer, Hannon Brothers, Ltd., and Title Guaranty Escrow Services, Inc., 235 Queen Street, 1st Floor, Honolulu, HI 96813. The Escrow Agreement makes it clear that the construction of the project will not be financed using funds of purchasers under Sales Contracts. Interest will accrue in the funds on deposit under Sales Contracts and payments of that interest will be controlled by the terms of the Sales Contract. All money received by the developer will be placed into escrow for the applicable transaction. No disbursements will be made from Buyer's funds until various conditions preceding are met.

Those conditions precedent are set forth in Section 3.02 of the Escrow Agreement.

Purchasers under Sales Contracts will be entitled to a refund by escrow, without interest, if the purchaser makes a written request for the refund and one of a number of events occurs.

Escrow will not be responsible for the validity or sufficiency of any Sales Contracts or other documents received by it and will be entitled to assume that those documents were signed by the persons whose signatures purport to be on those documents. Escrow may also assume that instructions or written certifications from the developer are true and accurate. If any dispute or difference arises, or if any conflicting demands are made upon escrow, escrow shall not be required to determine the proper solution to the conflict or to take any particular action. Escrow may simply await settlement of the controversy or may bring an action in interpleader for the purpose of having the respective rights of the parties adjudicated. In an interpleader action, escrow may be fully released and discharged from all further obligations.

EXHIBIT G
ALTERATION OF APARTMENT

The By-Laws state that: No Owner of an apartment may make, except with the prior written permission of the Board, or in accordance with the Rules and Regulations, if applicable provisions are stated therein, any alteration, addition, repair or improvement (1) to his or her apartment which may affect the common elements or change the exterior appearance of the buildings, or (2) to any of the common elements including, without limitation, common or limited common elements within, encompassing or adjacent to his or her apartment.

Unless otherwise prohibited or conditioned by the provisions of the Condominium Declaration or By-Laws, or the Condominium Act, an Apartment Owner may make additions, alterations or improvements solely within his or her apartment or within a limited common element appurtenant to and for the exclusive use of his or her apartment at his or her sole cost and expense.

No Owner shall do any work to his or her Apartment which could jeopardize the soundness or safety of any part of the Condominium, reduce the value thereof, or impair any easement or hereditament, nor may any Owner add any material structure or excavate any additional basement or cellar, without in every such case the consent of seventy-five (75%) percent of the Owners being first obtained, together with the consent of all Owners whose apartments or limited common elements appurtenant thereto are directly affected. However, the installation of solar energy devices as defined by section 468B-1, Hawaii Revised Statutes, or material additions to or alterations of an apartment made within such apartment or within a limited common element appurtenant to and for the exclusive use of the apartment shall require approval only by the Board. The Board shall not unreasonably withhold or delay its approval, and shall have the obligation to answer any written request by an Owner for its consent within thirty (30) days after its receipt of such a request describing the proposed alteration in reasonable detail.